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## EXCLUSIVE REPORTS

From the September 30, 2005 print edition

### State aims to save \$135 million

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Staff Writer

The state of Georgia has reached a deal it expects will save at least \$135 million annually by overhauling the way it buys more than \$5.7 billion in goods and services from the private sector each year -- everything from prison food to heavy machinery.

Georgia's four-year, \$13.7 million contract with Chicago-based management consulting firm A.T. Kearney Inc. follows an intensive review of the Department of Administrative Services, the agency that oversees the state's procurement process, and several others by the governor's Commission for a New Georgia.

It is the largest single cost-cutting initiative ever to come out of the commission, an efficiency minded advisory group composed of business leaders such as Arthur Blank, co-founder of The Home Depot Inc. (NYSE: HD) and David Ratcliffe, chairman and CEO of [Southern Co.](#) (NYSE: SO).

"This contract represents one of the biggest shifts toward smarter business practices Georgia has ever seen," Perdue said. "Taxpayers will save millions thanks to the Commission for a New Georgia. We're leveraging the enormous buying power of the state, and step-by-step, turning this \$17 billion operation into an efficient machine."

The commission originally identified \$100 million to \$200 million that could be pared by optimizing the procurement process before settling on a minimum goal of \$135 million. The Georgia General Assembly came up with the money to hire a contractor, and the state was scheduled to sign its deal with Kearney on Sept. 30.

#### Prior experience

Kearney, a unit of Plano, Texas-based [Electronic Data Systems Corp.](#) (NYSE: EDS) was not the low bidder among the six companies in contention for the contract. However, it has done similar work for the governments of California, Iowa, Kentucky, Massachusetts and Virginia, as well as household names like [Campbell Soup Co.](#) (NYSE: CPB), [Chevron Corp.](#) (NYSE: CVX), The [Gillette Co.](#) (NYSE: G), and Atlanta's own [BellSouth Corp.](#) (NYSE: BLS) and [United Parcel Service Inc.](#) (NYSE: UPS).

"A public company like BellSouth or UPS would have many of the same [procurement] issues," facing the state, said Kearney Vice President Mark van Weegen, who heads the company's 60-person local office. "The important thing is, with a pubco like BellSouth or UPS, there is external pressure to do this well, and the top-down support is almost always there. What we find in government is that is not always true," although Perdue is changing that, he said.

Kearney agreed to fork over 20 percent of its fee if it fails to achieve the \$135 million target, which it expects to hit in 2008. By March, Kearney anticipates monthly savings of \$3 million to \$4 million.

Van Weegen said Kearney will do several things to ensure it reaches those objectives. First, he expects to resolve instances in which different state departments are buying the same items from the same supplier, but at different prices. He intends to ensure the state gets the lower price across the board.

Next, since the cost for some items may have fallen in the years since a given vendor was awarded its initial contract, Kearney intends to rebid many of them, ideally to a wider group of companies than before.

In addition, by consolidating contracts with a smaller number of suppliers -- awarding all telecommunications business to one company, for example, instead of separate phone, Internet and wireless service providers -- van Weegen hopes to save even more.

### Growth spurt

Kearney will work closely with Administrative Services' 230 employees; in fact, after the first two years of the contract, the department will be doing most of the work itself. It is expected to grow in size accordingly, and its budget of roughly \$150 million should get a boost.

After Kearney's job is done, the department will be left not only with a more efficient operation, including better technology and new performance metrics, but also a first-ever formal training program to keep its staff that way.

"When I came, there had been so many budget cuts," said department commissioner Dana Russell. "Training was the first thing to go. Now we will set up comprehensive training and probably a certification program."

CGI-AMS, part of Montreal-based [CGI Group Inc.](#) (NYSE: GIB) will assist with information technology consulting on the project, and Atlanta's [3D Performance Inc.](#) will help train department employees.

Unlike the previous blue-ribbon optimization panels convened by past governors, this one is getting things done, said Lonice Barrett, director of implementation for the Commission for a New Georgia and former commissioner of the Department of Natural Resources.

"What this governor has said is, 'I don't want these plans to be put on the bookshelf and never implemented,' " Barrett said. "Having headed an agency for 10 years and seen the difficulty getting things [procured], I'm not at all surprised that purchasing and administrative services was one of the first areas to be looked at."

"Anything that you do that cleans up that contracting process sounds good," said Rogers Wade, president and CEO of the Georgia Public Policy Foundation. "I've seen some very good things coming out of this commission."

The commission has recommended changes that could potentially save Georgia hundreds of millions of dollars every year. Following those recommendations, the state has sold more than \$14 million in surplus real estate and about \$6 million in vehicles and equipment. It also renegotiated a number of leases for savings of about \$6 million.

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